

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE APPLICATION OF )</b>	
<b>PACIFICORP DBA UTAH POWER &amp; LIGHT )</b>	<b>CASE NO. PAC-E-04-6</b>
<b>COMPANY FOR APPROVAL OF REDUCTIONS )</b>	
<b>IN BONNEVILLE POWER ADMINISTRATION )</b>	
<b>REGIONAL EXCHANGE CREDITS. )</b>	<b>ORDER NO. 29697</b>
<b>)</b>	

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On December 15, 2004, PacifiCorp dba Utah Power & Light Company (PacifiCorp; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting authority to reduce the Bonneville Power Administration's (BPA) Regional Exchange Credits in Idaho and revise the Schedule 24 kilowatt-hour credit adjustment for all qualifying kilowatt-hours of residential and/or farm use. The proposed reduction reduces the Schedule 34 BPA credit by an annual amount of \$6.8 million in order to eliminate a \$6.8 million deficit reflected in the Company's Residential Exchange Program (REP) balancing account. The Company requests an effective date of January 31, 2005. The Commission in this Order approves the proposed reduction in the Schedule 34 BPA credit.

As a northwest regional utility, PacifiCorp is entitled to participate in the Residential Exchange Program (REP) that extends the benefits of the Columbia River Federal Power Program to residential and small farm consumers served by investor-owned utilities in the region. Section 5c of the Northwest Power Act, 16 U.S.C. § 839(c). The REP is administered by the Bonneville Power Administration (BPA). The Residential Exchange Settlement Agreement between PacifiCorp and BPA settled the parties' rights and obligations for the Residential Exchange Program for the ten-year term of the Agreement, July 1, 2001 through July 30, 2011.

As required by the REP Settlement, PacifiCorp established balancing accounts tracking the differences in the program credits provided to the Company's customers and the monetary payments received from BPA pursuant to the REP Settlement. As of September 2004 the Idaho balancing account showed an REP deficit of \$6.8 million because PacifiCorp had paid out \$6.8 million more in benefits to Idaho residential and small farm customers than it had received from BPA.

Following discussions with the Commission Staff, the Idaho Irrigation Pumpers Association, and irrigation customers, PacifiCorp seeks Commission authorization to correct the

deficit in the BPA balancing account in a manner that will ease the customer impact of elimination of the deficit. PacifiCorp proposes to reduce the BPA credit by \$6.8 million. To achieve the targeted zero balance in the BPA balancing account by September 30, 2006, additional adjustments may be necessary.

The Company's proposal retains the existing ratio of regional exchange benefits between irrigation and non-irrigation customers, although the benefits are reduced. The Schedule 34 kilowatt-hour credit adjustment for irrigation customers (Schedule No. 10) will decrease from \$0.039377 to \$0.031546 per kilowatt-hour, or 20.47%. The kilowatt-hour credit adjustment for qualifying non-irrigation customers (Residential Schedules 1 and 36; Commercial and Industrial Schedules 6A, 10 and 23A, 19 with 23A, 19 with 35A; and Public Street Lighting Schedule 7A) will decrease from \$0.023327 to \$0.019216 per kilowatt-hour, a decrease for Residential Schedule 1 of 6.96% and Schedule 36 of 9.55%.

On January 4, 2005, the Commission issued Notices of Application and Modified Procedure in Case No. PAC-E-04-6. The deadline for filing written comments was January 20, 2005. The Commission Staff and four customers were the only parties to file comments. Staff recommends that the Commission approve the Company's Application as filed. The customers express concern with the increase in rates that results from the credit adjustment and recommend denial.

The reduction in BPA exchange program credits proposed by PacifiCorp in this case, Staff notes, is not based on any recent reduction in credits received by PacifiCorp from BPA. Rather, the reduction is proposed to eliminate a balancing account deficit created by paying out more credits to PacifiCorp customers over the prior three-year period than were actually received from BPA. Based on its review of information provided by the Company, Staff has verified that PacifiCorp has paid \$6.8 million more in credits to customers than was received by the Company from BPA. Staff has further determined that the responsibility for the credit over-payment lies proportionately with each customer group. Historically, the percentage of credit revenue received by each customer group closely matches the percentages anticipated when the credit rates were approved.

While the reduced credits proposed by PacifiCorp appear to reduce the percentage of credit revenue received by some customer classes, Staff contends that the reduction is slight and highly dependent upon actual energy consumption in each class. Staff believes that the

percentage of revenue that will ultimately be received by each customer class under the Company's proposal is reasonable when compared to historic percentages. Staff recognizes the potential for creating a surplus in the balancing account over the 20-month period. Staff believes any resulting surplus can be applied to mitigate both planned and unplanned future reductions in BPA regional exchange credits.

### **COMMISSION FINDINGS**

The Commission has reviewed the filings of record in Case No. PAC-E-04-6 including the comments and recommendations of Commission Staff and customers. We continue to find it reasonable to process the Company's Application pursuant to Modified Procedure, i.e., by written submission rather than by hearing. Reference IDAPA 31.01.01.204.

PacifiCorp in this docket proposes to reduce its BPA exchange credit to eliminate a \$6.8 million deficit in its Idaho Schedule 34 Residential Exchange Program balancing account. The adjustment, we find, is not based on any recent reduction in credits received by PacifiCorp from BPA, but is the result of paying out more to customers over the prior three years than the Company received from BPA. Regarding the three-year period of deficit accrual, the Commission believes that the credit adjustment for differences between actual and estimated usage must occur sooner. We therefore direct the Company to assess or evaluate the imbalance in its Schedule 34 account and need for BPA credit adjustment (if any) on an annual basis at the end of its fiscal year and to share the results of such analysis by letter with Commission Staff.

The Commission is satisfied that the overpayment to customers reflected in the Schedule 34 balance account deficit and the responsibility for the credit overpayment lies proportionately with each customer group. We further find that the historical percentage of credit revenue received by each customer group closely matches the percentages anticipated when the credit rates were approved. We accordingly find it reasonable to approve the Company-proposed reduction in the Schedule 34 BPA credit for an effective date of January 31, 2005.

## CONCLUSIONS OF LAW


The Commission has jurisdiction over PacifiCorp dba Utah Power & Light Company, an electric utility, and the issues presented in Case No. PAC-E-04-6 pursuant to the authority and power granted it under Title 61 of the Idaho Code.

## ORDER

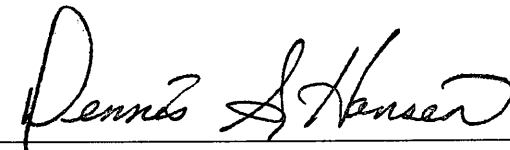
In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED and the Commission does hereby approve PacifiCorp's proposal to reduce the Schedule 34 BPA regional exchange credit in Idaho by \$6.8 million to eliminate the deficit currently reflected in the Company's Residential Exchange Program balancing account. We approve the submitted tariff changes for an effective date of January 31, 2005.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code § 61-626.*

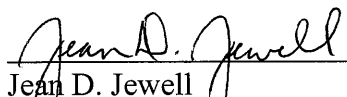
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 28<sup>th</sup> day of January 2005.

  
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PAUL KJELLANDER, PRESIDENT

  
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MARSHA H. SMITH, COMMISSIONER

  
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DENNIS S. HANSEN, COMMISSIONER

ATTEST:

  
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Jean D. Jewell  
Commission Secretary

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